

## **Columbia City Council Pre-Council Minutes**

Monday, July 7, 2014 6:00 p.m.

City Hall – Conference Room 1A/1B

701 East Broadway

**Council members present:** Mayor McDavid, Ginny Chadwick, Mike Trapp, Karl Skala, Ian Thomas, Laura Nauser and Barbara Hoppe

**Absent:** None

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Mayor McDavid called the meeting to order at 6:00 p.m.

City Manager Mike Matthes commented that we would begin with sewer and stormwater cost of service study results and would reserve the remainder of time for the ballot discussion.

### **Stormwater and Sewer Cost of Service Study:**

John Glascock, Public Works Director introduced Andrew Burnham, Senior Vice President of Burton and Associates and indicated that he will present some facts and will have Q & A after the presentation.

Mr. Burnham noted that Burton and Associates has been providing multi-year financial planning and rate services to local governments since 1988 and have completed nearly 1,000 studies. They use dynamic interactive models and a decision support process. They are nationally recognized as experts in utility rates and have provided testimony in various state and federal proceedings. Mr. Burnham noted that he is the Project Manager and has over 13 years of experience, has completed over 500 similar studies, has supported the issuance of \$1 Billion in public utility debt and is a member of the Rate and Charges Committee of the AWWA.

Mr. Burnham overviewed the study process and explained that they have completed the initial analysis with multiple detailed work sessions with Public Works Staff. They have reviewed data, assumptions, financial policies, and alternative scenarios. Today he is presenting the initial findings and recommendations to City Council and will receive feedback and identify appropriate adjustments. He noted the remaining key activities to include: an update of impervious area for stormwater system, stakeholder outreach relative to potential rate structure changes. The anticipated timeframe for implementation: Sewer: FY 2015 (i.e. 10/1/14) Stormwater: FY 2016 (i.e. 10/1/15) Possibly slightly sooner; dependent upon voter approval and data collection. They will perform a comprehensive analysis of the rates/fees for: Sewer & Stormwater Systems and develop multi-year projection models for

future use by the City. He noted core components of the study for each utility system: Revenue Sufficiency Analysis; Rate Structure Analysis and additional study components include: Rate Surveys/Benchmarking; Sewer Connection Fee Update; and Update of Deposits for Sewer Service.

The Revenue sufficiency analysis process includes populated financial planning models for each system; demand and customer data, historical and current operating cost data, the most current multi-year capital improvement and fleet replacement programs; financing plans/options for additional borrowing requirements, and key financial planning targets (reserves, debt coverage ratios, etc.). Customized models are designed to simulate dynamics of each utility and multiple scenarios are reviewed interactively with staff. They perform sensitivity analyses with instant feedback providing a unique graphical, side-by-side comparison of alternative scenarios.

Mr. Burnham reviewed the sewer analysis results. He explained they have identified plans of rate revenue increases that would: Fund annual operating and capital improvement requirements; Satisfy existing and new debt service requirements (including coverage); and maintain adequate operating reserves (6 months of O&M expenses). He explained that the total increase in FY15 is 6%, followed by 1% in FY16, 6% in FY17, 1% in FY18 and 2% in FY19. These are increases in actual rates, but he noted that in FY15, the recommended rate structure modifications would result in adjustments that would affect the cost of service to customers differently.

He then reviewed the stormwater analysis results. He explained they have developed a plan of adjustment for stormwater fees that would: Fund annual operating and capital improvement requirements; Satisfy new debt service requirements (including coverage); Maintain adequate operating reserves (2 months of O&M expenses). There are proposed adjustments for FY16 through FY20. He noted that FY16 reflects rate structure modifications that would affect customers differently. This would be a tiered system similar to the current structure, but based on impervious surface. Council person Skala asked if there are different rates for various types of properties. Mr. Burnham replied that a new rate structure would be applied in FY16 which will recover the needed revenue from the system and apportion it property classes based on their impervious area. Once a new structure is implemented, each year after 2016 the structure doesn't change; only the level of fees changes each year to recover revenue.

Mayor McDavid asked if this is a tax or fee. There are some public entities who are otherwise tax exempt but do pay fees. Mr. Matthes replied that the courts say it acts like a tax so, voters must approve changes but they do apply to tax exempt entities like schools and churches.

Council person Thomas asked if the data gathering piece would be a survey process to determine how much impervious surface someone has. Mr. Burnham replied yes, it will be done through survey's, many of which can be done through our GIS Department. Ms. Skala asked if the GIS system has the capacity to determine surface beyond just rooftop square footage, but also things like impervious surface. Mr. Burnham said yes and explained that data is obtainable through the City GIS Department.

Mr. Burnham reviewed the rate structure analysis process. He explained that the financial models determine the revenue requirements that feed the cost allocation and rate structure models. Within the rate structure models we have: Performed cost of service allocations and reviewed customer classifications; and reviewed and evaluated existing rate and fee structures and identified any recommendations. The goal is to ensure appropriate and sustainable rate structures that: reflect a fair and equitable cost distribution; conform to industry practice and legal precedent; are technically sound and easy to administer; and are consistent with City policies and objectives.

The sewer system recommended rate structure modifications would result in recovered debt service and administrative costs through fixed monthly charges that are consistent with industry trends. This also meets rating agency criteria to recover >30% of annual revenue in fixed fees and are monthly charges that are comparable to other local Missouri systems. He recommended scale non-residential monthly charges by meter size, using American Water Works Association maximum flow ratios. The current practice is based upon alternative schedule of flows by meter size. Usage rate recovers remaining costs in proportion to use of system.

Mr. Skala felt that the way we assess meters; per unit or per group is controversial and he asked if the AWWA model suggests anything there. Mr. Burnham replied that the wastewater system has established fixed fees a uniform cost based on metered volume you have. Analysis on demands of the customer usually determines the type of meters which is demand based. Mr. Thomas asked if an apartment complex would be considered residential or commercial. Public Works Director, John Glascock replied that if they have individual meters they are residential.

Mr. Burnham continued to explain the recommended rate structure modifications. This included using impervious area for single-family homes vs. main floor area. This is the most common industry approach and is consistent with how non-residential parcels are being billed. This also includes driveways, porches, garages, patios, etc. that result in run-off. Another recommendation was to set residential fee structures based upon ranges of impervious area. The current structure is a 4-tier system based upon ranges of main floor area. The

new structure is a 4-tier system based upon ranges of impervious area. He recommended that we bill multi-unit residential properties based upon impervious area of each parcel vs. number of dwelling units. Many of these types of properties are vertical developments and capture unique parking/other miscellaneous improvements. He also suggested we establish a credit program for properties with qualifying on-site facilities. Ms. Hoppe asked if the credit could extend to residential for those that have rain barrels, etc. Mr. Burnham said that it could, some communities have that to a certain degree, but are usually oriented to non-residential properties or homeowners associations with retention ponds, etc.

Mr. Burnham reviewed some tables showing sewer system customer impact data. The table shows how customer bills change based on various rate structures. He then showed data on a Sewer Bill Survey in gallons per month. This showed that the average Columbia user is at \$20.22 now, and the proposed rate would be \$23.13 for FY15. Compared to other communities, we are low now and this change for FY15 would still keep us low in comparison. Ms. Hoppe understood that if the maintenance is already behind, this would not increase that. Mr. Burnham replied that was correct.

Mr. Burnham reviewed some tables showing stormwater system customer impact data and he went over customer rate impacts. He showed the comparative survey information for stormwater and noted that are currently very low and by 2020, we would be close to the mid-range level. He overviewed the sewer connection fee analysis noting a one-time charge assessed to new connections to recover the unit cost of capacity used to serve growth. This would be used to pay for expansion-related capital costs and minimize the burden upon existing ratepayers for those facilities. The basis of analysis is that reconstruction cost new less depreciation of existing assets and expansion-related projects in five-year CIP. Mayor McDavid felt that the proposed development fees are excessive and he suggested an extra sewer connection fee for homes not in City limits. Mr. Thomas said that sounds like urban service area conversation. Mayor McDavid felt that we have to be careful about sprawl and offering city services the same way we do to city residents. Mr. Burnham continued to explain that the maximum connection fee to adopt is \$2,460 and that depends on how the policy sets it up.

The presentation on stormwater and sewer cost of service can be viewed at the following link:

<https://www.gocolumbiamo.com/CMS/bcmanager/downloadfile.php?id=14209>

### **Future Ballot Planning:**

Mr. Matthes explained that he would like a consensus from Council on ballot issues. He proposed moving the electric ballot to April 2015 and continuing to

focus efforts on the development fee and public safety ballot issues for November 2014. Council decided to carry this conversation over to a work session since there was not adequate time to discuss this. The group agreed to have a work session on Tuesday, July 8<sup>th</sup> at 7:30 pm in Conference Room 1A/1B, since there was still enough time to post an agenda.

**Other Topics Council Wishes to Discuss:**

None.

There being no further discussion, the meeting adjourned at approximately 6:56 PM.